

Interconnector (UK) Limited

56-58 Conduit Street
London W1S 2YZ

Direct Line: + 44 (0)020 7478 8421

Switchboard: + 44 (0)020 7478 8400

Central Fax: +44 (0)020 7437 4069

Email: waring.sean@interconnector.com

Website: www.interconnector.com

Draft Modification Report 0069

Interconnector (UK) Ltd (“IUK”) welcomes this modification and the opportunity to comment on the draft modification report 0069.

Summary

The UK is currently undergoing a major transition from a position of self sufficiency to a position of increasing import dependency. While the UK has been able to operate contractually and operationally with its own gas quality limits for many years, the new sources of supply from outside the UKCS have a wider variation in composition. It is important that the UK responds to this change in order to ensure future security of supply in a safe and environmentally acceptable manner.

Gas quality specifications across Europe have developed historically based on circumstances as they arose at the time, on a country by country basis. As the UK becomes increasingly dependent upon imports, the UK Gas Industry needs to align its specifications with those of continental Europe wherever possible, subject to safety limits, in order to ensure adequate security of supplies for the future. This change will remove a contractual barrier to entry for future supplies.

While UK Authorities and the Gas Industry have been considering the issue of gas quality for several years it is clear that complex issues exist. It is equally clear, however, that there is some scope for adjustment to UK contractual quality limits in order to move towards those adopted in the rest of Europe. Across Europe a concerted effort of harmonization is lifting previous restrictions to cross border gas flows in order to enhance cross border trade and support security of supplies in a market dependant on imported gas.

In the case of the proposed change to Wobbe Index, the change would increase the contractual limit up to the UK legal limit which, it is understood, applies at certain other UK sub-terminals.

In the case of the proposed change of sulphur specification, the change is well within the UK legal limit, moving from 40% to 60% of the maximum. This change will bring the specification at the Bacton-Zeebrugge Interconnector into line with the European gas quality harmonization specification and therefore remove a potential commercial restriction to gas arriving in the UK which meets UK legislation. It is not expected that there will be a significant change in the current measured values of total sulphur, following this proposed relaxation of the limit, which remain low.

1. The Modification Proposal

IUK agrees that the relaxation in limits, although remaining within UK legal limits will have a beneficial effect for UK supplies as additional gas volumes could be transported through the interconnector.

Natural Gas which falls within UK legal limits is currently prevented from flowing to the UK market by a contractual limit set many years ago. IUK strongly supports the removal of these barriers. An early adoption of this modification is therefore beneficial for the UK supply situation.

2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives

IUK agrees that adoption of the proposed limits will increase the efficient economic operation of the system by attracting additional volumes to the UK.

3. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

IUK supports the view that this modification will enhance the security of UK gas supplies.

4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including

No comment.

5. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

No comment.

6. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

No comment.

7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

IUK does not believe that the typical Wobbe Number or total Sulphur content of gas delivered will change significantly. Therefore there should be no impact on administrative and operational costs or any increase in contractual risk.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

No comment.

9. Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

No comment.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

IUK agrees that the modification will allow access to greater volumes of European sourced gas that could be imported into the UK via the Interconnector and thereby enhance security of supply.

Although total Sulphur could increase as a result of this modification, IUK does not expect the measured values to increase significantly in the near future. The modification proposes an increase from 40% to 60% of the legal limit. IUK understands that other UK sub terminals already have higher total Sulphur limits and therefore IUK seeks similar arrangements.

IUK's flows are bi-directional and therefore for a large part of the year gas is not physically delivered to the NTS, thereby reducing the annual average potential for increased Sulphur.

11. Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

No comments.

12. The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

No comments.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

No comments

14. Programme for works required as a consequence of implementing the Modification Proposal

No comments

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

IUK welcomes an early adoption of the modification.

16. Implications of implementing this Modification Proposal upon existing Code Standards of Service

No comments

Sean Waring
Commercial Operations Manager
Interconnector (UK) Ltd.